

UMHLABUYALINGANA MUNICIPALITY

ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

EXPENDITURE

BUDGET 2007/2008

EXPENDITURE TYPE	DEPARTMENTS								TOTAL
	COUNCIL	MANAGER	FINANCE	CORPORATE	TECHNICAL	LIBRARY	COMMUNITY	LED	
SALARIES	4,343,082	1,313,870	1,709,888	1,443,986	590,948	481,425	2,025,511	1,040,056	12,948,766
GENERAL EXPENSES	1,060,000	3,942,356	1,665,000	800,000	1,960,000	144,000	996,500	1,827,217	12,395,073
REPAIRS & MAINTENANCE		10,000	20,000		805,000	12,000	-		847,000
CONTRIBUTION - LEAVE		12,000	12,000	12,000	12,345	14,890	19,679	12,000	94,914
CAPITAL EXPENDITURE		-	200,000		11,896,000		500,000		12,596,000
CONTRIBUTION - CDF	-	-			-	-	-		-
CONTRIBUTION - RESERVES									-
	5,403,082	5,278,226	3,606,888	2,255,986	15,264,293	652,315	3,541,690	2,879,273	38,881,753

ACTUALS 2007/2008

EXPENDITURE TYPE	DEPARTMENT								TOTAL
	COUNCIL	MANAGER	FINANCE	CORPORATE	TECHNICAL	LIBRARY	COMMUNITY	LED	
SALARIES	3,962,628	1,195,435	1,591,486	1,302,484	604,324	438,964	1,513,698	1,130,617	11,739,636
GENERAL EXPENSES	807,845	3,060,402	1,460,019	654,983	318,995	105,571	1,048,065	893,581	8,349,461
REPAIRS & MAINTENANCE		7,188	6,940		837,774				851,902
LEAVE ENCASHMENT		61,485	88,541	83,176	29,748	34,327	66,553	81,608	445,438
CAPITAL EXPENDITURE		6,223	37,464		6,183,802				6,227,489
CONTRIBUTION - CDF		530,054							530,054
CONTRIBUTION - RESERVES	-	4,055,946							4,055,946
	4,770,473	8,916,733	3,184,450	2,040,643	7,974,643	578,862	2,628,316	2,105,806	32,199,926
Under/(over) Spending	632,609	(3,638,507)	422,438	215,343	7,289,650	73,453	913,374	773,467	6,681,827
Overall under/(over) Spending	11.71%	-68.93%	11.71%	9.55%	47.76%	11.26%	25.79%	26.86%	17.18%

UMHLABUYALINGANA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS **for the year ended 30 June 2008**

CHIEF FINANCIAL OFFICER'S REPORT

BACKGROUND

Umhlabuyalingana Municipality is a grade two municipality within the Umkhanyakude District Municipality. It covers four traditional authorities; namely Tembe, Mashabane, Mabaso and Mbila. The Municipality has been in existence for six and half years and has 13 wards with 26 councillors. The Municipal area is mainly rural.

CHALLENGES

The municipality has been under extremely challenging conditions. It has to address challenges of Infrastructure, Tourism, Local economic development, poverty, Drought, GRAP implementation and getting other sources of revenue.

1. OPERATING RESULTS

Details of operating results per department are included in appendices D and E. The applicable statistics are shown in appendix F. For overall operating results for the year ended 30 June 2007 are as follows:

	ACTUALS 2007	ACTUAL 2008	VARIANCE 2007/2008	BUDGET 2008	VARIANCE % ACTUALS /BUDGET
INCOME					
Opening surplus	-	-		-	
Operating income for the year	44,843,623	34,293,561	-23.53%	39,031,753	-12.14%
Closing deficit	11,542,899	9,182,845	-20.45%	-	
	56,386,522	43,476,406		39,031,753	
EXPENDITURE					
Opening deficit	3,011,369	11,542,899	283.31%	-	
Operating expenditure for the year	53,534,038	32,199,926	-39.85%	38,881,753	-17.18%
Sundry transfers	(158,885)	266,420	-267.68%		
Closing surplus		-			
	56,386,522	44,009,245			

The capital expenditure on fixed assets during the year amounted to R 6 227 489 which is 53% less than the previous year. The actual expenditure is 46.11% less than budgeted for and consist of the following:

	2008 ACTUALS	2008 BUDGET	2007 ACTUALS	VARIANCE
Land and Buildings	1,126,600	7,396,000	2,180,361	-48.33%
Infrastructure	5,057,202	5,000,000	11,717,540	-56.84%
Other fixed assets	43,687	400,000	808,563	-94.60%
	6,227,489	12,796,000	14,706,464	-57.65%

UMHLABUYALINGANA MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008****CHIEF FINANCIAL OFFICER'S REPORT Continued.**

Resources used to finance the fixed assets were as follows:-

	2008 ACTUALS	2008 BUDGET	2007 ACTUALS
Capital development fund	-	-	-
Contribution from: Operating account	43,687	200,000	-
Reserves	-		
Grants and Subsidies	21,221,859	12,396,000	14,706,464
	21,265,546	12,596,000	14,706,464

A complete analyses of capital expenditure (budgeted and actuals) is included in appendix C

3. FUNDS AND RESERVES

More information regarding funds and reserves are disclosed in note 2 and appendix A to the Annual Financial Statements.

4. EXTERNAL LOANS, INVESTMENTS AND CASH

The municipality's financial structure is currently grants and subsidies, no external loans have been secured. Investments and cash at 30 June 2008 amounted to R24 738.59 and an overdraft of R 1 086 044.03, respectively; (R 548 485 in 2007)

5. EXPRESSION OF APPRECIATION

I would like to thank the mayor, councilors, management committee for the support they have given me and to the officials of the municipality and in particular to the staff of my own directorate for their assistance and support during the entire year.

MM ZUNGU
CHIEF FINANCIAL OFFICER
31 August 2008

**UMHLABUYALINGANA LOCAL MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ Deficit R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
44,843,623	53,534,038	(8,690,415)	RATES AND GENERAL SERVICES	34,293,561	32,199,926	2,093,635
44,843,623	53,534,038	(8,690,415)	Community services	34,293,561	32,199,926	2,093,635
-	-	-	Subsidised services	-	-	-
-	-	-	Economic services	-	-	-
-	-	-	TRADING SERVICES	-	-	-
44,843,623	53,534,038	(8,690,415)	TOTAL	34,293,561	32,199,926	2,093,635
		158,885	Appropriations for the year			266,420
		(8,531,530)	Net Surplus/(Deficit) for the year			2,360,054
		(3,011,369)	Accumulated Surplus/(Deficit) beginning of the year			(11,542,899)
		<u>(11,542,899)</u>	ACCUMULATED SURPLUS/(DEFICIT) AT THE END OF THE YEAR			<u>(9,182,845)</u>

UMHLABUYALINGANA MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	2007/2008 R	2006/2007 R
CASH RETAINED FROM OPERATING ACTIVITIES		
Cash generated by operations	14 19,661,312	7,229,752
Investment income	(6,014,222)	(32,867,721)
(Increase)/Decrease in working capital	118,318	29,542
Less: External interest paid	15 (4,283,709)	4,559,055
	-	-
Cash available from operations	(10,179,613)	(28,279,124)
Contribution from public and state	29,840,926	35,508,876
Net proceeds on sale of fixed assets	-	-
CASH UTILIZED IN INVESTING ACTIVITIES	(21,265,546)	(14,706,464)
Investment in Fixed assets	4 (21,265,546)	(14,706,464)
NET CASH INFLOW / (OUTFLOW)	(1,604,234)	(7,476,712)
CASH EFFECTS OF FINANCIAL ACTIVITIES		
(Increase) / Decrease in cash investments	11,497	(6,554,190)
(Increase) / Decrease in cash	17 (1,615,731)	(981,605)
NET CASH (GENERATED)/ UTILISED	(1,604,234)	(7,535,795)

UMHLABUYALINGANA MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2008****1. STATUTORY FUNDS**

Capital development fund

**2008
R****2007
R**

3,433,903

2,903,849

3,433,903**2,903,849**

(Refer to appendix "A" for more details)

2. RESERVES

Proclamation Grant

-

130,620

Geog. Ins Sys Grant

-

9,755

Land Use Mgmt Sys Gr

100,000

779,610

FMG

234,504

430,014

Rate Implementation Grant

-

396,283

Project Consolidate

1,286,000

3,736,045

Investment Planning

-

441,763

MIG

2,153,950

1,511,904

Urban Development

1,975,000

DBSA

670,000

Library Subsidy

78,900

Nhlang Lake Resturant

180,000

Manzengwenya cultural project

180,000

Phelandaba Development

150,000

Kwa - Tembe Concrete project

180,000

7,188,354**7,435,994**

(Refer to appendix "A" for more details)

3. BANK, CASH AND OVERDRAFT BALANCES

The municipality has the following bank accounts:-

Current Account (Primary Bank Account)

First National Bank - Hluhluwe Branch - Acc.62025236408

Cash book balance at the beginning of the year -

529,251.23

6,932,776.57

Cash book balance at the end of the year - (overdrawn)

(1,086,044.03)

529,251.23

Bank statement balance at the beginning of the year- (overdrawn)

762,935.81

3,115,098.88

Bank statement balance at the end of the year - (overdrawn)

(513,415.56)

762,935.81

UMHLABUYALINGANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

12. REMUNERATION OF COUNCILLORS

Mayor
Deputy Mayor
Speaker
Executive Committee Members
Councillors

Total Councillor's Remuneration

In-kind Benefits

The Mayor, Deputy Mayor and the Speaker are Part-time councillors.
Each is provided with an office and the Mayor is provided with the
Secretarial support at the cost of the council.
The mayor has use of a council owned vehicle for official duties.

2008	2007
R	R
245,707	200,876
187,454	154,676
187,454	154,676
581,209	464,029
2,760,804	2,213,766
<u>3,962,628</u>	<u>3,188,023</u>

13. APPROPRIATIONS

Appropriation account:

Accumulated surplus/ (deficit) at the beginning of the year

Operating surplus/ (deficit) for the year

Appropriation for the year

Contribution to CDF

Prior year adjustments

Accumulated surplus/ (deficit) at the end of the year

Operating account:

Capital expenses

Contribution to reserves

Contribution to bad debts provision

(11,542,899)	(3,011,369)
2,093,635	(8,690,415)
796,473.55	158,885
530,054	-
266,420	158,885
<u>(8,652,791)</u>	<u>(11,542,899)</u>
21,265,546	14,706,465
4,055,946	4,241,918
-	965,921
<u>25,321,492</u>	<u>19,914,304</u>

14. CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year

Prior year adjustments

Appropriation charged against income

Capital development fund

Provisions

Reserves

Fixed assets

Investment Income

Transfer from reserves to operating income

Grants and subsidies received from the public and the state

2,093,635	(8,690,415)
(266,420)	158,885
26,482,810	20,126,197
530,054	599,839
631,264	577,976
4,055,946	4,241,918
21,265,546	14,706,464
<u>28,310,025</u>	<u>11,594,667</u>
(179,736)	(29,542)
(4,303,586)	(8,923,970)
(29,840,926)	(35,508,876)
<u>(6,014,222)</u>	<u>(32,867,721)</u>

UMHLABUYALINGANA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
15. (INCREASE)/ DECREASE IN WORKING CAPITAL		
(increase)/ decrease in long term debtors	-	34,375
(increase)/ decrease in short term portion for long term debtors	58,660	32,136
(increase)/ decrease in debtors	(1,152,123)	(533,994)
increase/(decrease) in creditors	(3,190,246)	5,026,538
	(4,283,709)	4,559,055
16. (INCREASE)/DECREASE IN INVESTMENTS		
Investment at the beginning of the year	13,242	6,567,432
Investment at the end of the year	24,739	13,242
Net (increase)/ decrease in cash equivalents	11,497	6,554,190
17. INCREASE/ (DECREASE) IN CASH		
Cash at the beginning of the year	535,243	1,516,848
Cash on hand	5,992	-
Cash at bank	529,251	1,516,848
Cash balance at the end of the year	(1,080,488)	535,243
Cash on hand	5,556	5,992
Cash at bank	(1,086,044)	529,251
	(1,615,731)	981,605
18. RETIREMENT BENEFITS		
Employee belong to the following funds within the Natal Joint Municipal Pension / Provident Fund which provide retirement benefits to such employees,		
(i) Natal Joint Municipal Fund (retirement)		
(ii) Natal Joint Municipal Pension Fund (superannuation)		
(iii) Natal Municipal Pension Fund (provident)		
(iv) Natal Municipal Councillors Fund		
The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed at least every three years. The latest independent valuation of the fund s which indicated that the funds were in a sound financial position was undertaken on 31 March 2006		

UMHLABUYALINGANA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
19. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	12,096,000	15,210,000
Infrastructure	11,896,000	15,210,000
Community	-	
Other	200,000	
Approved but not yet contracted for	500,000	150,000
Infrastructure	-	150,000
Community	500,000	
Other	-	-
Total	12,596,000	15,360,000
 This expenditure will be financed from:		
Government Grants	12,396,000	15,360,000
Own Resources	200,000	-
	12,596,000	15,360,000
 20 PRIOR YEAR ADJUSTMENTS	266,420	158,885

Stale and cancelled cheques relating to prior year are reversed and charged to the appropriation account.

21 OPERATING LEASES

(a) Gestetner Finance

This represents an operating lease for one Gestetner Digital copier, the minimum lease period is 60 months which expires on 30 November 2009 and the rental amount is R 1 900.00 excl VAT pm with 15% escalation

(b) Gestetner Finance (Fintech)

This represents an operating lease for two Gestetner Digital copier, the minimum lease period is 60 months which expires on 30 November 2010 and the rental amount is R 1 250.00 excl VAT pm per machine with 15% escalation

(c) Automated Office Tecnology (Pty) Ltd

This represents an operating lease for one photocopy machine, the lease agreement is for 60 months which expeires on 31 March 2012 with 7.5% escalation. The rental amount is R 1 895. 00 pm.

UMHLABUYALINGANA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R

22. OPERATING LEASES (continued)

(d) Automated Office Tecnology (Pty) Ltd

This represents an operating lease for telephone management system, the lease period is 48 months expires on 31 March 2011 with 7.5% escalation. The rental amount is R 520.00 pm.

(e) Canon

This represents an operating lease for telephone equipments, the lease period is 48 months which expires on 31 March 2011 with 7.5% escalation. The rental amount is R 1 836.12 pm.